

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5875

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 16383

DEPARTMENT PASS TREASURY

E.O. 11652: XEDS-1

TAGS: EFIN, UI

SUBJECT: FINANCIAL TIMES ON SIMON WARNING: CHANCELLOR
HEALEY ON U.S. REFLATION

1. IN THE LONDON FINANCIAL TIMES, FRIDAY, OCTOBER 24,
PAUL LEWIS REPORTING FROM WASHINGTON OUTLINED SECRETARY
SIMON'S TESTIMONY BEFORE THE SENATE FOREIGN RELATIONS COM-
MITTEE UNDER THE HEADLINE "SIMON WARNS EUROPE NOT TO
PUSH FOR U.S. EXPANSION." LEWIS REPORTS THAT SECRETARY
SIMON ISSUED A THINLY VEILED WARNING TO EUROPE AGAINST
TRYING TO PERSUADE THE FORD ADMINISTRATION TO ADOPT A
MORE EXPANSIONARY MONETARY POLICY AT NEXT MONTH'S ECONOM-
IC SUMMIT. THIS MESSAGE, ACCORDING TO LEWIS, COMES AT A
TIME WHEN THE U.S. IS AGAIN BEGINNING TO WORRY ABOUT THE
THREAT OF AN UPTURN IN THE RATE OF PRICE INCREASES.

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WHILE THE U.S. HAS RESISTED RECENT EUROPEAN CALLS FOR A

MORE RAPID RATE OF REFLATION, LEWIS WRITES THAT "AT THE SUMMIT MEETINE THOSE EUROPEAN COUNTRIES HOPING FOR A MORE EXPANSIONARY AOURSE IN THE U.S. WILL BE ABLE TO APPEAL DIRECTLY TO THE PRESIDENT AND DR. KISSINGER, ARGUING THAT A PROLONGED RECESSION COULD ENDANGER WESTERN SOLIDARITY AND PERHAPS ETEN DEMOCRACY."

2. BEGIN CONDIDENTIAL: AT A MEETING LAST WEEK, CHANCEL-
LOR HEALEY TOLD COMGRESSMAN MOORHEAD AND ASSISTANT FINAN-
CIAL ATTACHE THAT WHILE UNDOUBTEDLY THERE WOULD BE THOSE
AT THE SUMMIT WHO WOULD BE URGING FOR GREATER U.S. EX-
PANSION, THE U.K. WOULD NOT BE AMONG THIS GROUP. HEALEY
STATED THAT THE U.K. HAD AS MUCH IF NOT MORE TO GAIN
THAN ANY OTHPE EUROPEAN ECONOMY FROM AN INCREASE IN
WORLD ECONOMIC ACTIVITY BUT HE DID NOT WISH TO SEE GREAT-
ER U.S. EXPANSION IF IT LED ONLY TO A RESURGENCE OF IN-
FLATION. HEALEY'S GREATER CONCERN WAS THE GERMANS; HE
"STILL CAN'T DIGURE OUT WHAT THEY ARE UP TO", AND THE
JAPANESE WHO "HAVE DONE BUGGAR ALL". HEALEY ADMITTED
THAT SOME MONTHS BACK HE HAD BEEN AMONG THOSE WHO HAD
URGED FOR GREATER U.S. EXPANSION AND HE STILL BELIEVED
THAT THE U.S. DID TOO LITTLE TOO LATE. HOWEVER, GIVEN
THAT ALL INDIAATORS NOW POINT TO A GREATER RECOVERY THAN
HAD BEEN ANTICIPATED, HE DID NOT FEEL THAT ADDITIONAL
STIMULATIVE MEASURES WERE NECESSARY AT THIS TIME.

3. COMMENT: WHILE WE DO NOT BELIEVE THAT THE U.K. WILL
TAKE A BACK SEAT AT THE SUMMIT IN CALLING FOR GREATER
ECONOMIC EXPANSION IN SOME OF THOSE COUNTRIES REPRESENTED
AT THE MEETING, WE FEEL THAT THE TARGET OF THE U.K.'S
URGING WILL BE GERMANY AND JAPAN.

RICHARDSON

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